

# Teacher Lesson Plan

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## Module 8—Tax Credit for Child and Dependent Care Expenses

### Time Frame

One to two class periods

### Curriculum Area(s)

- Technology
- Civics/Government
- Family and Consumer Sciences
- History/Social Studies
- Economics

### Purpose

To help students understand the tax credit for child and dependent care expenses

### Objectives

Students will be able to

- distinguish between a tax deduction and a tax credit.
- explain how the tax credit for child and dependent care expenses affects the tax liability.
- apply the requirements to claim the tax credit for the child and dependent care expenses, including those for the taxpayer, for the child or dependent, and for the expenses.

### Materials

#### *Online*

[Student Lesson—Tax Credit for Child and Dependent Care Expenses](#)

[Tax Tutorial—Tax Credit for Child and Dependent Care Expenses](#)

[Simulation 8—Claiming the Tax Credit for Child and Dependent Care Expenses](#)

[Assessment—Tax Credit for Child and Dependent Care Expenses](#)

[Assessment Solutions—Tax Credit for Child and Dependent Care Expenses](#)

#### *Print (PDF)*

[Fact Sheet—Tax Credit for Child and Dependent Care Expenses](#)

[Teacher Lesson Plan—Tax Credit for Child and Dependent Care Expenses](#)

#### *Tax Forms*

[Form 2441, \*Child and Dependent Care Expenses\*](#)

## Background

A tax deduction reduces the income subject to tax. A tax credit is a dollar-for-dollar reduction of the tax. The tax credit for child and dependent care expenses allows taxpayers to claim a credit for expenses paid for the care of children under age 13 and for a disabled spouse or dependent. In order to claim the credit, taxpayers must meet numerous requirements for the taxpayer, the expenses, and the qualifying person. There is a limit to the amount of qualifying expenses. The credit is a percentage of the qualifying expenses.

## Key Terms

***qualifying person***—For the tax credit for child and dependent care expenses, a qualifying person is a child, dependent, or spouse who meets specific requirements. The taxpayer must furnish more than half the cost of maintaining a home that is also the home of the qualifying person. A qualifying child must be under age 13; the taxpayer must claim a dependency exemption for the child. (There is an exception for children of divorced or separated parents.) A qualifying dependent, or a person who could be claimed as a dependent if his or her gross income was less than the exemption amount, must be physically or mentally incapable of self-care. A qualifying spouse must be physically or mentally incapable of self-care.

***tax credit***—A dollar-for-dollar reduction in the tax. Can be deducted directly from taxes owed.

***tax deduction***—A part of a person's or business's expenses that reduces income subject to tax.

## Opening the Lesson

Distribute Fact Sheet—Tax Credit for Child and Dependent Care Expenses. Use the following questions to prompt students to share what they know about the credits:

- What is the difference between a tax deduction and a tax credit? (A tax deduction reduces the amount subject to tax. A tax credit is a dollar-for-dollar reduction of the tax. For the same dollar amount, a tax deduction is good, but a tax credit is even better because it reduces the tax liability.)
- Can you think of any tax credits that might exist? (There are several tax credits. The two that are covered in these materials concern child and dependent care expenses and the earned income credit for low-income workers.)

Then, explain that this lesson covers the requirements for claiming the tax credit for child and dependent care expenses.

Note: For students who may want to work independently on this module, refer them to Student Lesson—Tax Credit for Child and Dependent Care Expenses.

## Developing the Lesson

Direct students to Tax Tutorial—Tax Credit for Child and Dependent Care Expenses, and explain that this tax tutorial focuses on the tax credit for child and dependent care expenses. Tell students that they will learn the difference between a tax deduction and a tax credit. Then, they will learn about the requirements to claim the tax credit. Inform students that the tax credit is a percentage of the qualifying expenses. Inform students that they will have an opportunity to see how the tax credit is reported on tax forms.

### **Online Activity:**

Direct students to Simulation 8—Claiming the Tax Credit for Child and Dependent Care Expenses. Explain to students that by using the information provided, they will compute the tax credit for child and dependent care expenses for Albert and Susan Wentworth.

### **Concluding the Lesson**

After students have completed Tax Tutorial—Tax Credit for Child and Dependent Care Expenses and Simulation 8—Claiming the Tax Credit for Child and Dependent Care Expenses, ask them whether they have any questions about the standard deduction. To ensure that they understand the material, ask the following questions:

- Would you rather have a tax deduction of \$500 or a tax credit of \$500? (*a tax credit of \$500, as it is a dollar-for-dollar reduction of the tax*)
- What are some requirements that must be met to qualify for the tax credit for child and dependent care expenses? (*There are numerous requirements that apply to the taxpayer, the child or dependent, and the expenses.*)
- Is there a limit to the tax credit for child and dependent care expenses? (Yes; the maximum qualifying expenses are \$2,400 for one qualifying person or \$4,800 for two or more qualifying persons; the maximum percentage is 30 percent.)

### **Assessment**

As a final review, summarize the major lesson points. Remind students that the tax credit for child and dependent care expenses reduces the tax for a portion of the expenses paid for the care of children under age 13 and for a disabled spouse or dependent. Taxpayers must comply with numerous requirements for the taxpayer, the child or dependent, and the expenses. When students are comfortable with the material, have them complete Assessment—Tax Credit for Child and Dependent Care Expenses.